



News Release

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IRS NATIONAL TAXPAYER ADVOCATE RELEASES ANNUAL REPORT TO CONGRESS

WASHINGTON – National Taxpayer Advocate Nina Olson today released a report to Congress that emphasizes the importance of taxpayer rights in promoting taxpayer respect for and compliance with the tax system. Taxpayer access to IRS information and services is a key ingredient in protecting taxpayer rights. The report identifies navigating the IRS as the number one problem faced by both individuals and business owners.

“The Taxpayer Advocate Service must live up to its role as the independent conscience of the IRS with regards to systemic issues and providing assistance with specific case problems,” Olson said. “The IRS has made significant progress on a number of fronts however, the protection of taxpayer rights needs to remain paramount as the IRS continues to make improvements in the tax administration system.”

The three main sections of the report are the Most Serious Problems Encountered by Taxpayers, Legislative Recommendations, and the Most Litigated Tax Issues. After navigating the IRS, the second most serious problem facing taxpayers is the prompt processing of offer-in-compromise cases. This program, while making progress, has yet to fully realize the full implementation of the policy statement. Seven of the top 23 problems encountered by taxpayers involve the Earned Income Tax Credit.

According to the report, other serious problems facing taxpayers include:

- Math error authority (IRS notices are deficient in explaining adjustments, hard to reconcile with original return and do not specify how to challenge the adjustment).
- IRS information reporting program (the program produces a high number of tax assessments that are later abated).
- Processing claims for refunds (refunds claims are often misplaced by the IRS and not processed within the promised timeframe by the IRS).
- Earned Income Tax Credit (the intrusiveness, complexity and inconsistency in administering the EITC tax laws place unnecessary burdens on taxpayers).

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The section listing the most serious problems encountered by taxpayers provides an opportunity for IRS officials to respond to efforts made to rectify the problems. The key legislative recommendations address:

- the ability of victims of discrimination to adjust income for attorney fees,
- the treatment of married couples co-owning a business,
- assessments resulting from math errors,
- the independence of the Office of the National Taxpayer Advocate,
- the registration, examination, and certification of unenrolled return preparers, and
- the taxation of children's income.

The most litigated tax issues over the past year include non-filing/underreporting of income and taxpayers' rights in collection due process hearings.

The concept of access, as a means to protect taxpayer rights, is interwoven throughout the report. Taxpayer access is highlighted in five areas: to information, to the IRS, to the Taxpayer Advocate Service, to representation and to return preparation. It is important for taxpayers not only to know what is happening with their accounts, but also know what the IRS is doing to resolve systemic and specific taxpayer problems and whom to contact to resolve issues. All taxpayers should also have access to professional representation and professional return preparation. The National Taxpayer Advocate supports the creation of an IRS administered grant program for free tax preparation for the low income taxpayers.

"The Taxpayer Advocate Service is not advocating for the IRS to have face-to-face contact with all taxpayers, or even the majority of them. We will, however, continue to point out that the effective tax administration is a two-way street. The IRS must be open for business for all taxpayers, whether in person, in writing, through the telephone or through the internet," Olson said.

The report was delivered to Congress today. The report, which is required by law, also includes IRS efforts to improve customer service and reduce the burden on taxpayers. It reflects actions taken by the Taxpayer Advocate Service organization to resolve taxpayer problems and identify areas of tax law that impose significant compliance burdens. To review the report, visit the IRS Web site at www.irs.gov. A hard copy will be available by late January.

The Taxpayer Advocate Service, an independent organization within the IRS, helps individuals solve ongoing tax problems with the IRS and recommends changes to mitigate taxpayer problems. The Taxpayer Advocate Service, with a workforce of slightly more than 2,100 employees, is available to assist both individuals and businesses. TAS closed more than 230,000 cases during the past fiscal year. A taxpayer advocate is located in each state.

You may qualify for the assistance of a taxpayer advocate if:

- You are facing a significant hardship due to an action taken by IRS.
- Your case has gone through all established systems without being resolved.
- You are on the second attempt to resolve a problem.
- Or you have not been contacted by the date promised.

Call toll free, 1-877-777-4778, to request the assistance of a taxpayer advocate.

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